



# EXAMINATION OF THE FEDERAL INFRASTRUCTURE PACKAGE & STATE-BASED REVENUE DELIBERATIONS

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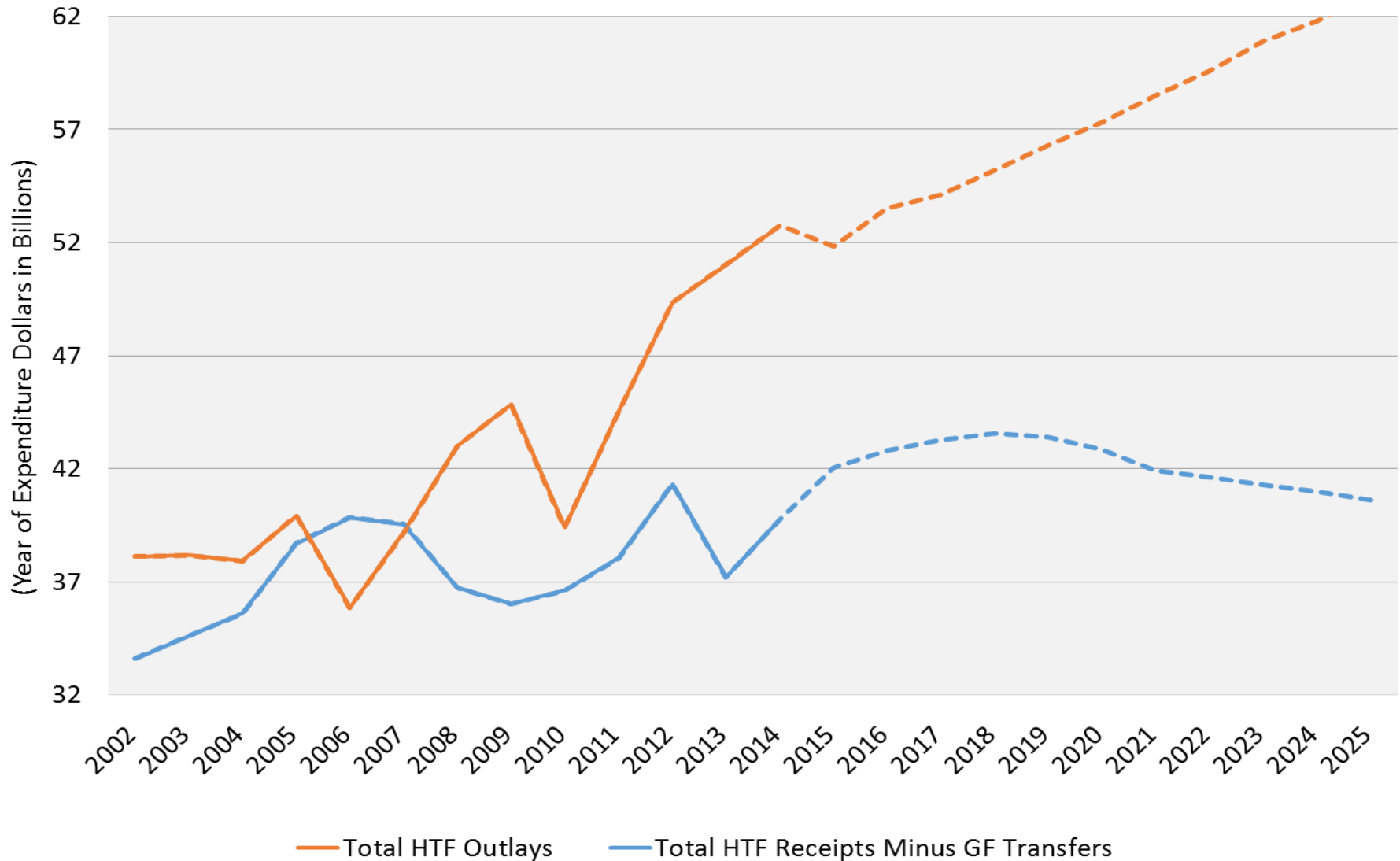
American Association of State Highway and Transportation Officials



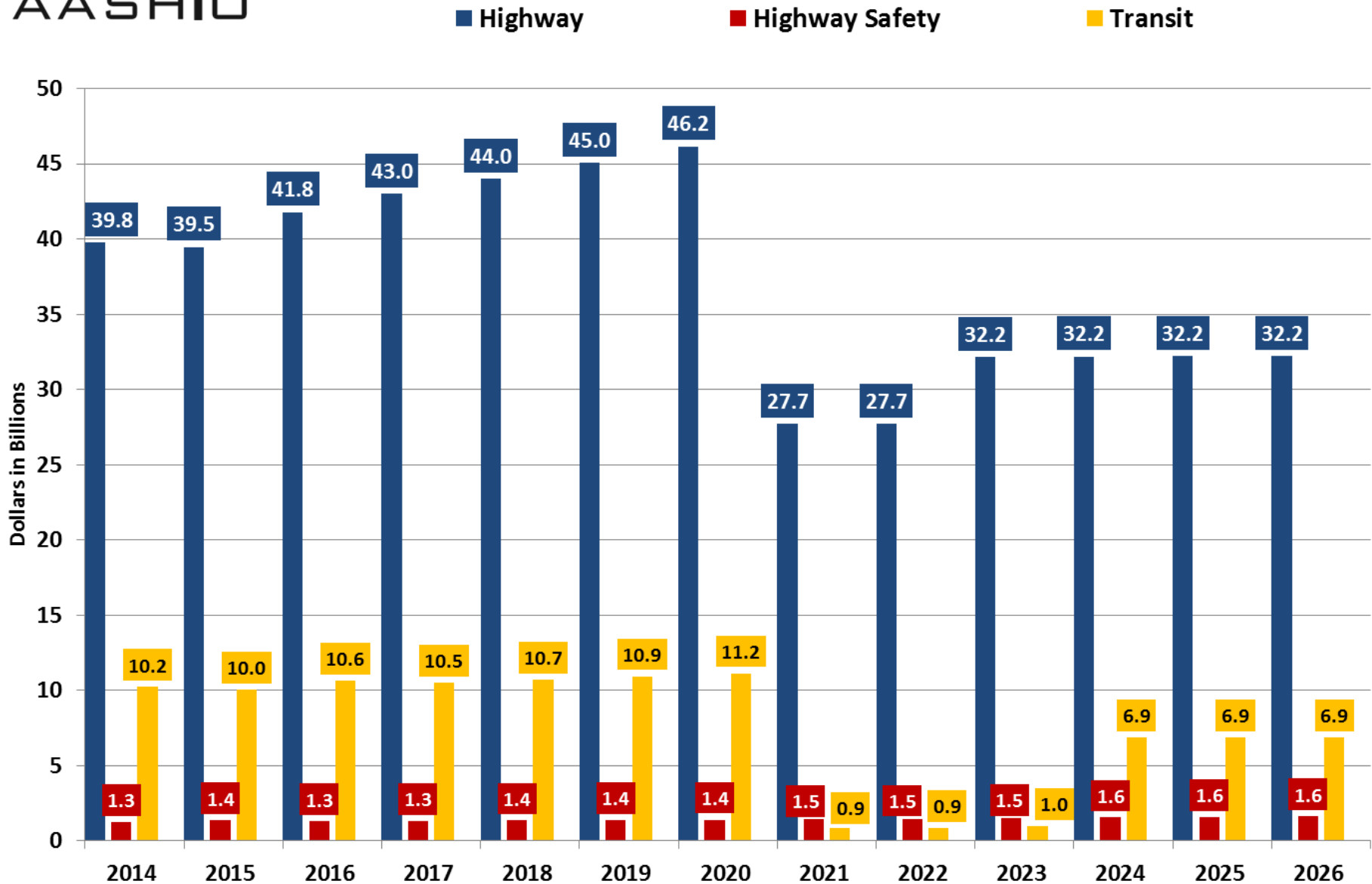
# SETTING THE CONTEXT: THE FEDERAL FUNDING CLIFF



# HIGHWAY TRUST FUND: RECEIPTS/OUTLAYS GAP

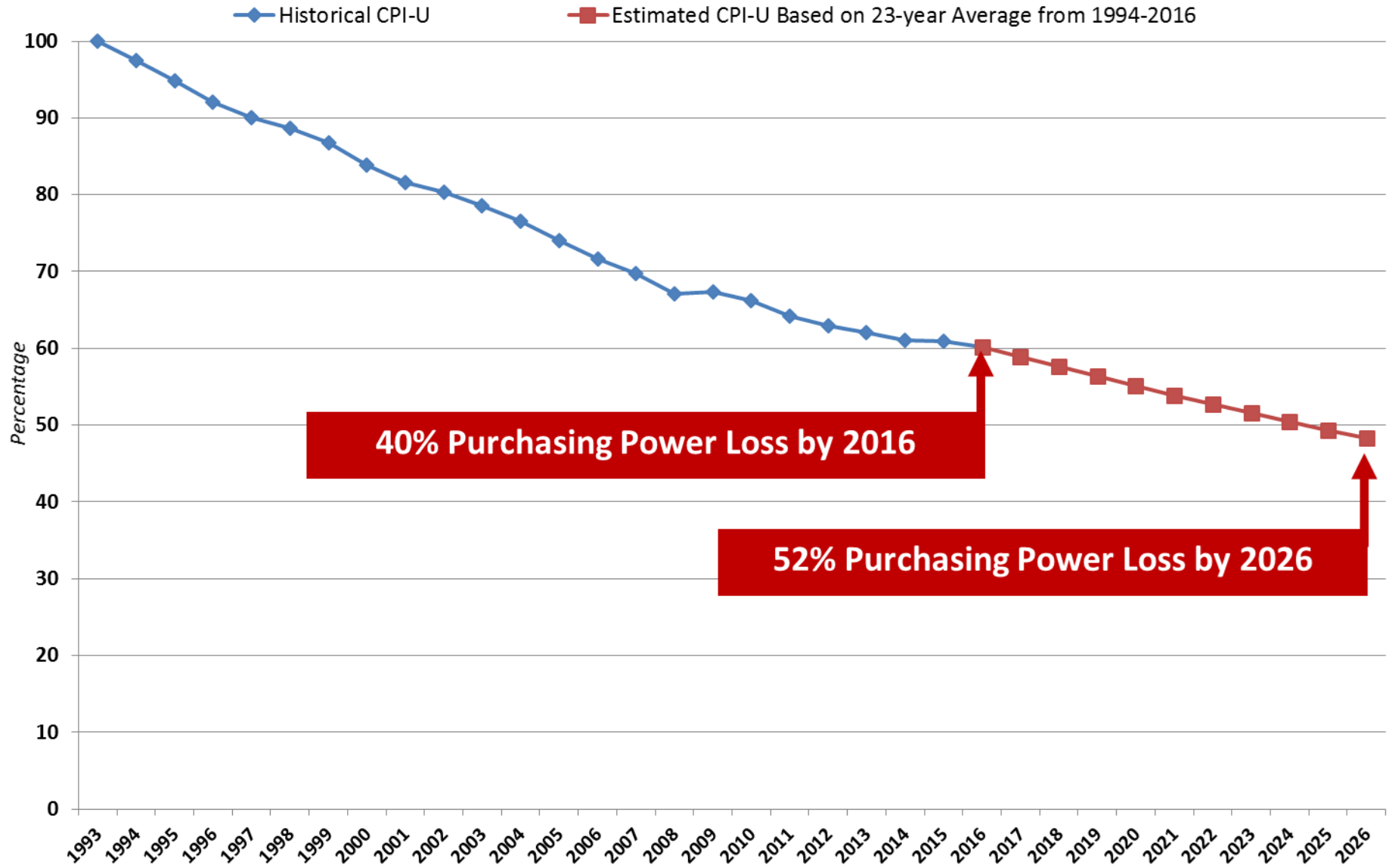


# ESTIMATED FEDERAL HIGHWAY TRUST FUND OBLIGATIONS



For illustrative purposes, this scenario assumes maintenance of a "minimum prudence balance" of \$4 billion in the Highway Account and \$1 billion in the Mass Transit Account.  
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# PURCHASING POWER LOSS OF GAS TAX DUE TO INFLATION



# FEDERAL GAS TAX HEADWIND: SIGNIFICANT LOSS OF PURCHASING POWER

Sample of Nominal Price Changes Relative to Federal Gas Tax

Item	Description	1993	2015	Percent Change
<b>College Tuition</b>	Average Tuition & Fees at Public 4-year Universities	\$ 1,908	\$ 9,145	<b>379%</b>
<b>Healthcare</b>	National Expenditure Per Capita	\$ 3,402	\$ 9,523	<b>180%</b>
<b>House</b>	Median New Home Price	\$118,000	\$292,000	<b>147%</b>
<b>Gas</b>	Per Gallon	\$ 1.08	\$ 2.56	<b>137%</b>
<b>Beef</b>	Per Pound of Ground Beef	\$ 1.97	\$ 4.38	<b>122%</b>
<b>Movie Ticket</b>	Average Ticket Price	\$ 4.14	\$ 8.43	<b>104%</b>
<b>Bread</b>	Per Pound of White Bread	\$ 0.75	\$ 1.48	<b>98%</b>
<b>Income</b>	National Median Household	\$ 31,241	\$ 56,516	<b>81%</b>
<b>Stamp</b>	One First-Class Stamp	\$ 0.29	\$ 0.49	<b>69%</b>
<b>Car</b>	Average New Car	\$ 16,871	\$ 25,487	<b>51%</b>
<b>Federal Gas Tax</b>	Per Gallon	\$ 0.18	\$ 0.18	<b>0%</b>

Sources: Bureau of Labor Statistics, Centers for Medicare & Medicaid Services, College Board, Federal Reserve Bank of St. Louis, Oak Ridge National Laboratory, U.S. Census Bureau, U.S. Energy Information Agency, U.S. Postal Service

**Figure 1: The Federal Gasoline Tax Has Now Gone Longer Than Ever Before Without an Adjustment in Rate**

Gasoline Tax Rate*	Start Date	End Date	Days Since Last Adjustment	Years Since Last Adjustment
1	21-Jun-32	16-Jun-33	361	1.0
1.5	17-Jun-33	31-Dec-33	198	0.5
1	1-Jan-34	30-Jun-40	2,373	6.5
1.5	1-Jul-40	31-Oct-51	4,140	11.3
2	1-Nov-51	30-Jun-56	1,704	4.7
3	1-Jul-56	30-Sep-59	1,187	3.3
4	1-Oct-59	31-Mar-83	8,583	23.5
9	1-Apr-83	30-Nov-90	2,801	7.7
14	1-Dec-90	30-Sep-93	1,035	2.8
18.3	1-Oct-93	Ongoing	8,584**	23.5

\* Cents per gallon. Reported tax rates do not include the 0.1 cent Leaking Underground Storage Tank (LUST) fee, which has occasionally been allowed to lapse.

\*\* As of April 1, 2017

**Source:** Institute on Taxation and Economic Policy (ITEP) analysis of information from the Congressional Research Service (CRS).

# THE INFRASTRUCTURE PACKAGE



# HOW WE GOT HERE

*November 2015*

## \$275 billion proposal

**That's why Hillary Clinton is announcing a five-year \$275 billion dollar infrastructure plan.**

Clinton would increase federal infrastructure funding by \$275 billion over a five-year period, fully paying for these investments through business tax reform. Of these funds, she would allocate \$250 billion to direct public investment. She would allocate the other \$25 billion to a national infrastructure bank, dedicated to advancing our competitive advantage for the 21st century economy. The bank would leverage its \$25 billion in funds to support up to an additional \$225 billion in direct loans, loan guarantees, and other forms of credit enhancement —meaning that Clinton's infrastructure plan would in total result in up to \$500 billion in federally supported investment. The bank would also administer part of a renewed and expanded Build American Bonds program, and would look for opportunities to work with partners in the private sector to get the best possible outcomes for the American people.



# HOW WE GOT HERE

*August 2016*

**\$550 billion proposal**

## *Donald Trump Proposes to Double Hillary Clinton's Spending on Infrastructure*

By ALAN RAPPEPORT AUG. 2, 2016



# HOW WE GOT HERE

*October 2016*

## \$1 trillion proposal

An analysis by Wilbur Ross, a private equity investor, and Peter Navarro, UC-Irvine business professor. Both are senior policy advisors to the Trump campaign.

We believe that this tax credit-assisted program could help finance up to a trillion dollars' worth of projects over a ten-year period. This innovative financing option would serve as a critical supplement to existing financing programs, public-private partnerships, Build America Bonds, and other prudent funding opportunities.



# INFRASTRUCTURE ASSET CLASSES

AIR TRAFFIC CONTROL

DAMS AND LEVEES

ROADS AND BRIDGES

PASSENGER RAIL AND TRANSIT

WATER AND WASTEWATER

AIRPORTS

GOVERNMENT HOUSING AND BUILDINGS

TELECOM

ELECTRIC TRANSMISSION

PIPELINES

FREIGHT RAIL

PORTS AND WATERWAYS

BROADBAND

PRISONS

SOCIAL INFRASTRUCTURE: SCHOOLS, HOSPITALS, PARKS

REAL ESTATE

POWER GENERATION

OIL EXPLORATION AND PRODUCTION

LESS FEDERAL INFLUENCE



# TRUMP ADMINISTRATION'S PRINCIPLES

- Make Targeted Federal Investments
- Encourage Self-Help
- Align Infrastructure Investment with Entities Best Suited to Provide Sustained and Efficient Investment
- Leverage the Private Sector



# ILLUSTRATIVE POLICY PROPOSALS

- Expand the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program
- Lift the Cap on Private Activity Bonds and Expand Eligibility to Other Non-Federal Public Infrastructure
- Incentivize Innovative Approaches to Congestion Mitigation
- Liberalize Tolling Policy and Allow Private Investment in Rest Areas



# ILLUSTRATIVE POLICY PROPOSALS

- Fund the Water Infrastructure Finance and Innovation Act program (WIFIA) Program
- Encourage the Use of Army Corps of Engineers Contributed/Advanced Funding Authorities
- Federal Capital Revolving Fund
- Partnership Grants for Federal Assets
- Environmental Review and Permitting Process Enhancements



# DESIGNING THE INFRASTRUCTURE PACKAGE

- Utilize existing formula-based funding to states instead of a project list
  - Investments flow to every area of the country
  - Flexible with long track record of efficiency
  - Project lists tend to lead to select “winner” and “losers”



# DESIGNING THE INFRASTRUCTURE PACKAGE

- Direct Funding Instead of Financing Tools
  - Most transportation projects simply cannot generate a sufficient revenue stream
  - Non-direct funding amount to 18% of capital outlays



# DESIGNING THE INFRASTRUCTURE PACKAGE

- Focus on Transportation Investments that Produce Long-term Benefits
  - Generates a multi-decade return on investment in the form of improved productivity and quality of life
  - \$1 of highway and bridge improvements = \$5.20 benefit in vehicle maintenance costs, reduced delays and fuel consumption, improved safety
  - Unlike 2008, this is an opportune time to secure our economic future for the long-term through modernized transportation infrastructure



# HOW STATES FINANCE TRANSPORTATION



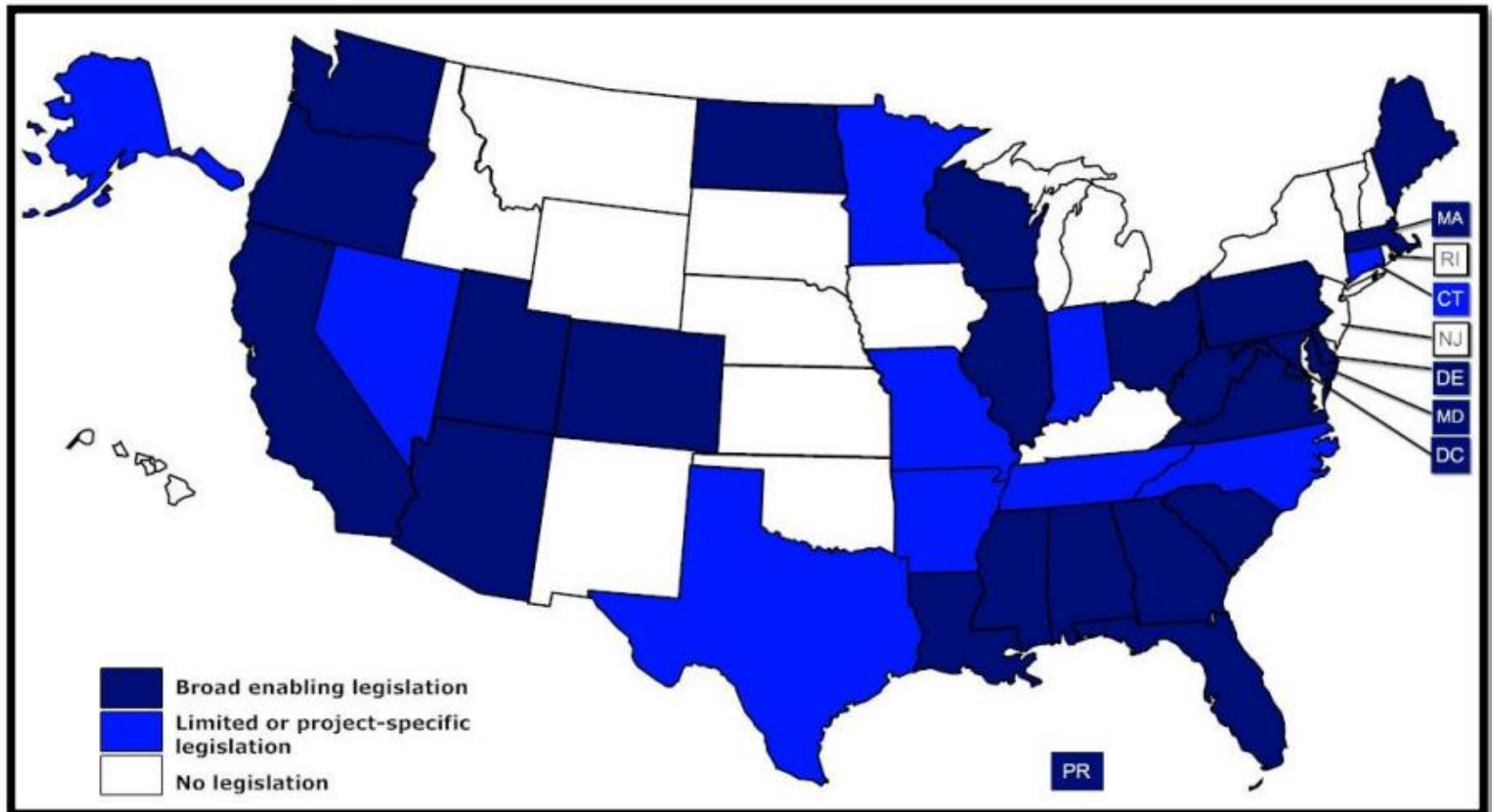
# STATE FINANCING TOOLS

Tools that borrow against or leverage state revenues for surface transportation projects:

- **General obligation or revenue bonds** (44 states + DC + PR)
- **GARVEE bonds** (33 states + DC + PR)
- **Private Activity Bonds (PABs)** (6 states)
- **TIFIA federal credit assistance** (12 states + PR)
- **State Infrastructure Banks (SIBs)** (34 states + PR)
- **Design-build** (authorized in 38 states + PR)
- **Public-private partnerships (PPPs)** (enabling legislation in 33 states + PR)



# STATES WITH P3 ENABLING LEGISLATION



# POTENTIAL OF THE PPP (P3) OPTION

- Can advance large complex transportation projects with revenue streams that may leverage private sources of investment capital.
- Can create cost savings and production / operating efficiencies
- Typically transfers construction, financing and other risks from the public sector to private partner(s)

**PPPs themselves do not create new money for state/local project sponsors.** The private investment must be repaid with general revenue (taxes) or project-specific revenue (tolls).

In other words, PPPs are *project delivery and financing approaches*, they are not funding sources.

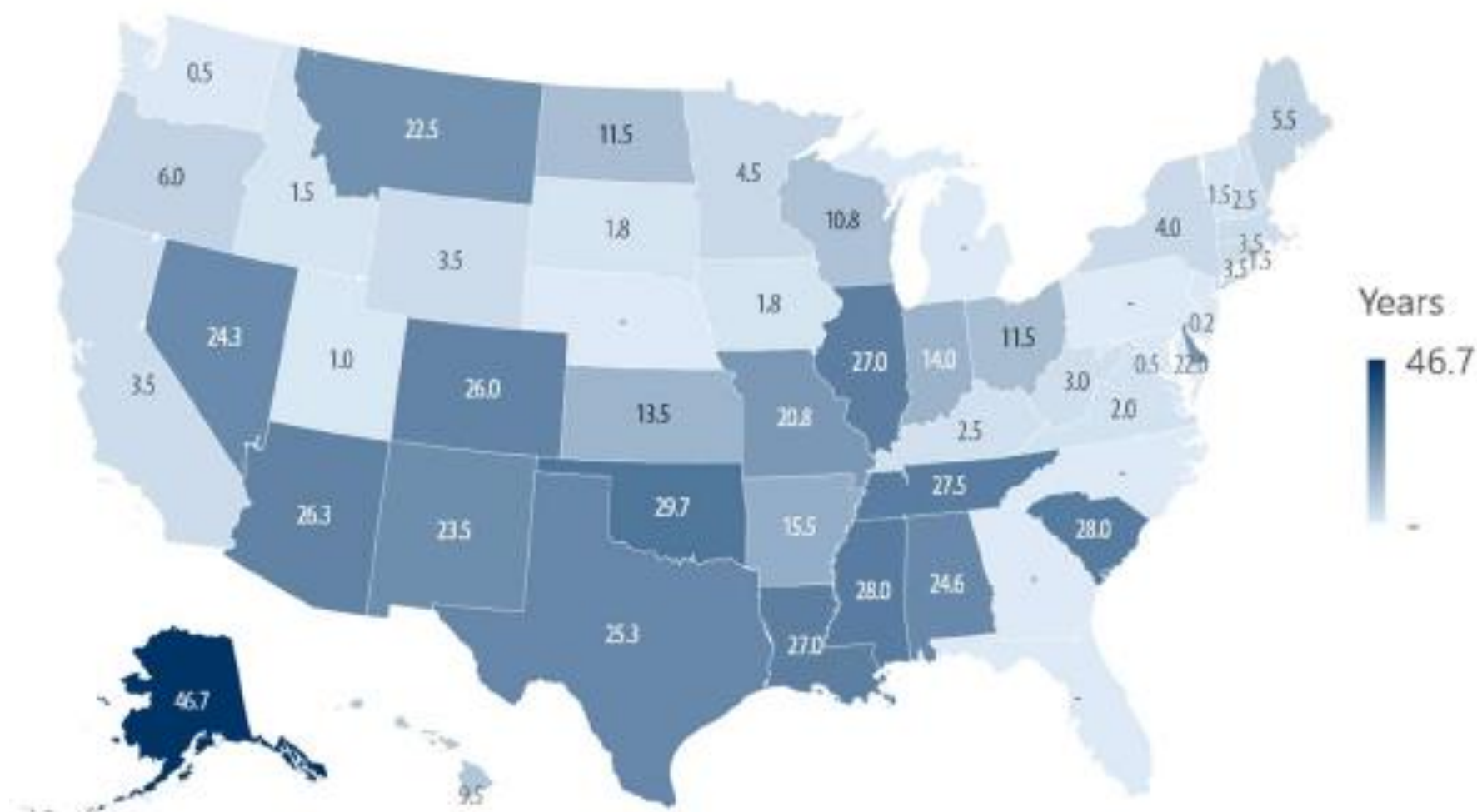


# STATE EFFORTS TO INCREASE TRANSPORTATION INVESTMENT



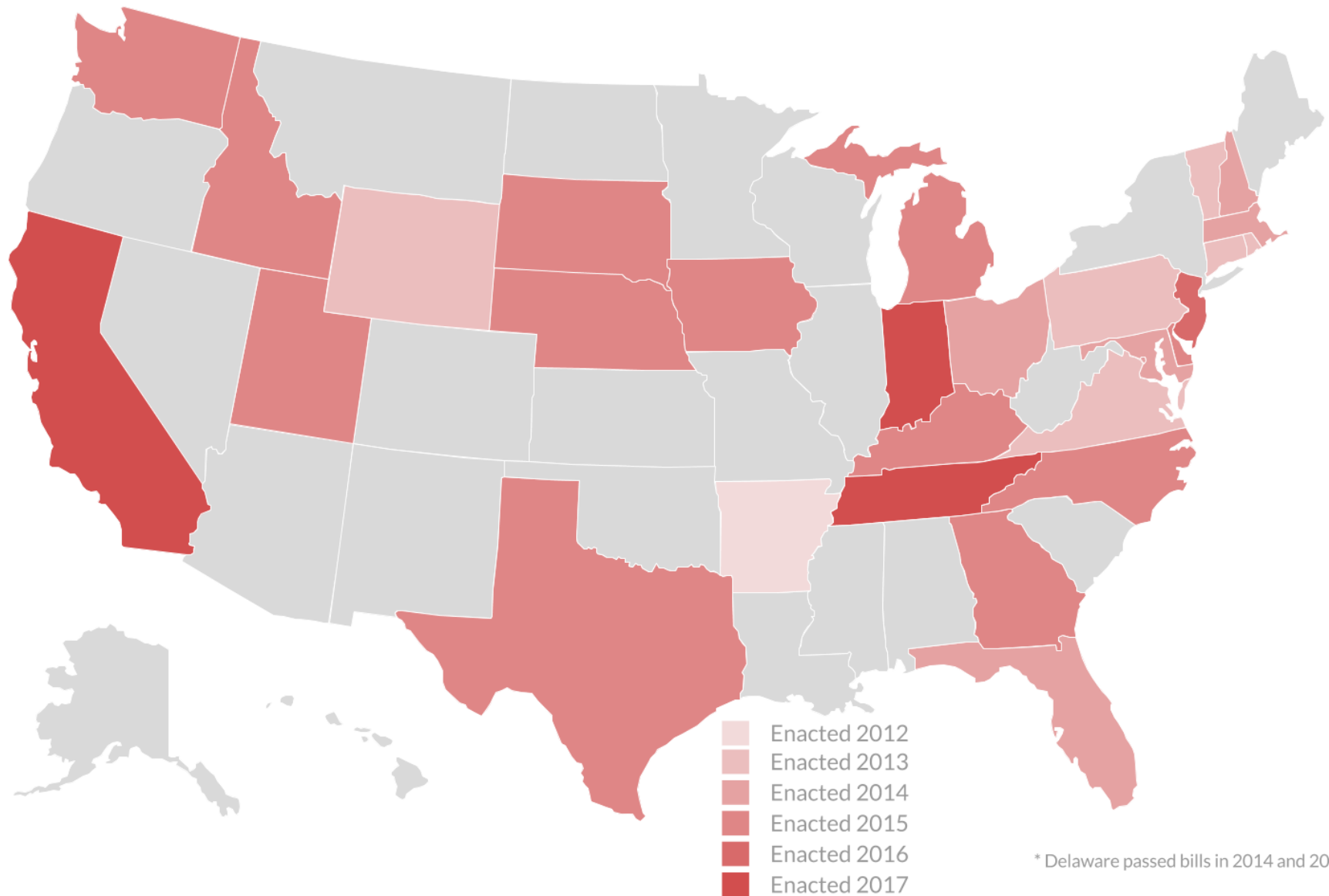
# Years Since Last Gasoline Tax Increase

As of January 1, 2017



Source: Institute on Taxation and Economic Policy (ITEP)

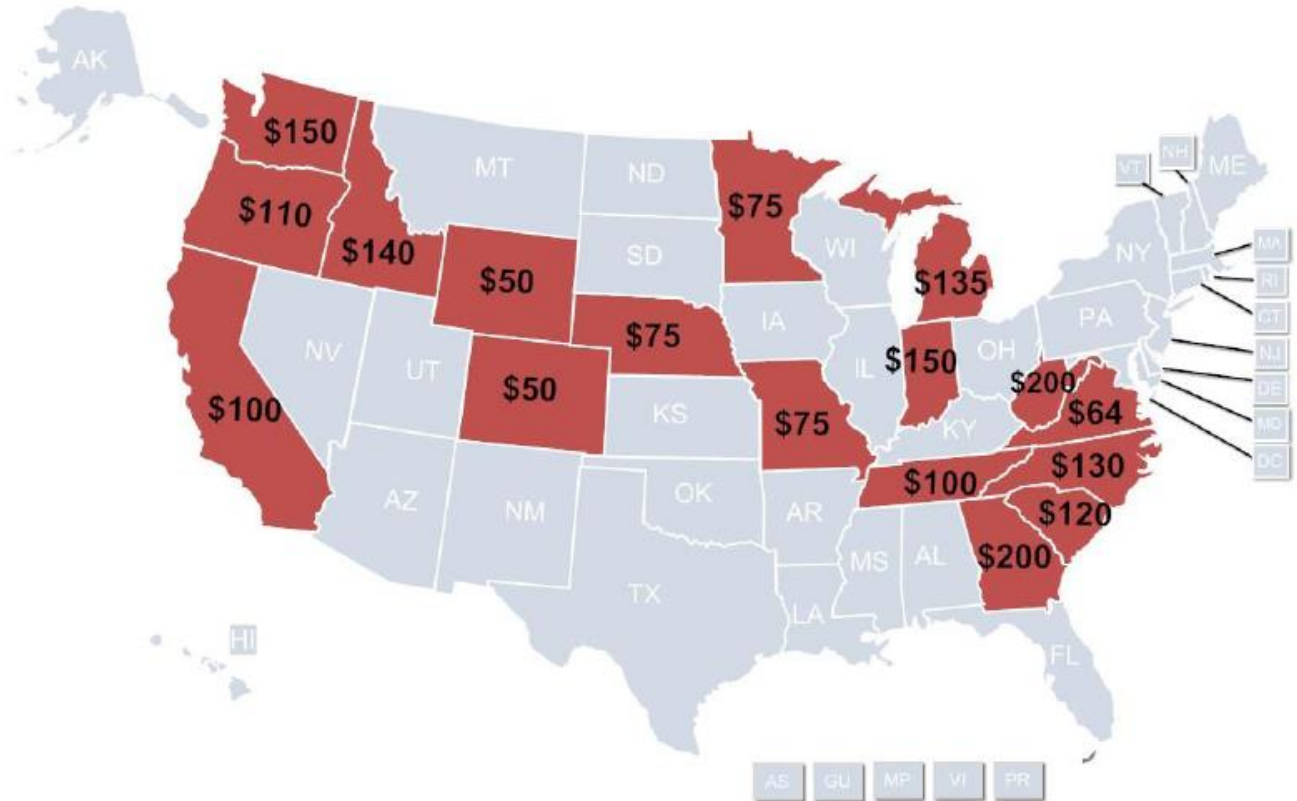
## Successful state plans to raise additional transportation revenue, 2012-



Source: Transportation for America

# ELECTRIC VEHICLE FEES

- Georgia and W. Virginia are highest in nation at \$200
- ID, IN, MI, OK and WV impose fees on Hybrids as well



# ALTERNATIVE REVENUES PILOT PROGRAM

- Surface Transportation System Funding Alternatives Program in the FAST Act
- Goal: Demonstrate user-based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund
- \$95 million over 5 years
  - \$14.2 million awarded to 8 states in 2016
  - \$20 million available for 2017



# VEHICLE MILES TRAVELED FEE: THE OREGON EXPERIENCE

- Two year operational anniversary on July 1, 2017
- 731 RUC-paying vehicles enrolled as of July 25, 2017
- OReGo provides choice of state account manager or commercial account manager, adding one commercial account manager and losing one since launch
- Majority of Oregonians in 2016 survey agreed a mileage-based system for road funding is fairer than fuel tax, registration fees or vehicle sales tax



# INTERSTATE TOLLING PILOT PROGRAM

- Missouri (I-70) – Tolls prohibited in state Constitution; amendment requires voter approval which has not been achieved
- Virginia and North Carolina (I-95) – both states have released their slots after FAST Act
- Common factors delaying deployment of tolling:
  - Just as much political resistance at the state level as in Congress
  - ISRRPP is limited to one route in each state- causes local resistance battle cry *“Why are we the only ones being tolled”*
  - Fear of impacts on economic competitiveness (including between states), less of an issue if more than isolated states could add tolls
  - Aggressive opposition from trucking industry – including threats of economic impacts among local residents
  - ISRRPP is the most restrictive program of all Interstate tolling exemptions in terms of revenue use



# RHODE ISLAND TRUCK TOLLING

- Charges a user fee on only large commercial trucks – not cars or smaller trucks – to invest in specific bridge locations tolled
- Increased revenue would allow RI bridges to be brought to 90% sufficiency within 10 years
- Rhode Island is one of the only states in the northeast that does not charge user fees to large commercial trucks, while almost all vehicle-created road damage is from that type of vehicle
- Not yet set, but will be limited along the I-95 corridor at \$20 for a border-to-border trip from Connecticut to Massachusetts with a cap at \$40
- Locations: I-95, I-195, I-295, US 6, US 6A, Route 146





# 54 STATE REVENUE SOURCES

- |  |  |   |  |
|--|--|---|--|
| <input type="checkbox"/> Fuel Taxes                      | <input type="checkbox"/> Excise Taxes              | <input type="checkbox"/> Weight-distance Tax  | <input type="checkbox"/> Service Concessions         |
| <input type="checkbox"/> Sales Taxes on Fuel             | <input type="checkbox"/> Board Funding             | <input type="checkbox"/> Fines                | <input type="checkbox"/> Loan Repayment              |
| <input type="checkbox"/> Vehicle or Rental Car Sales Tax | <input type="checkbox"/> Obligations               | <input type="checkbox"/> Corporate Taxes      | <input type="checkbox"/> Loan Fees                   |
| <input type="checkbox"/> Vehicle Registration            | <input type="checkbox"/> Ad Valorem Taxes          | <input type="checkbox"/> Container Fees       | <input type="checkbox"/> Private Contributions       |
| <input type="checkbox"/> Weight Fees                     | <input type="checkbox"/> Sales Tax                 | <input type="checkbox"/> Land Sales           | <input type="checkbox"/> Tobacco Tax                 |
| <input type="checkbox"/> Traffic Camera Fees             | <input type="checkbox"/> Congestion Pricing        | <input type="checkbox"/> Advertising Revenue  | <input type="checkbox"/> Mass-Transit Tax            |
| <input type="checkbox"/> Tolls                           | <input type="checkbox"/> Oil Company Taxes         | <input type="checkbox"/> Service Payments     | <input type="checkbox"/> VMT Fees                    |
| <input type="checkbox"/> General Funds                   | <input type="checkbox"/> Fares                     | <input type="checkbox"/> Contractor's Tax     | <input type="checkbox"/> Highway Litter Control Fund |
| <input type="checkbox"/> Interest Income                 | <input type="checkbox"/> Documentary Stamp Revenue | <input type="checkbox"/> Oil Tax              | <input type="checkbox"/> Mineral Royalties           |
| <input type="checkbox"/> Inspection Fees                 | <input type="checkbox"/> Logo Signing              | <input type="checkbox"/> Rail Regulation Fees | <input type="checkbox"/> Short-term Lease/Borrowing  |
| <input type="checkbox"/> Advertising                     | <input type="checkbox"/> Situs Tax                 | <input type="checkbox"/> Investment Income    | <input type="checkbox"/> Public space Revenue        |
| <input type="checkbox"/> Impact Fees                     | <input type="checkbox"/> Rail Service Fees         | <input type="checkbox"/> Trail-mile Tax       | <input type="checkbox"/> Parking Meters              |
| <input type="checkbox"/> License or Permit Fees          | <input type="checkbox"/> Toll Road Leases          | <input type="checkbox"/> Surcharge Fees       |  |
| <input type="checkbox"/> State Lottery                   | <input type="checkbox"/> Use Tax                   | <input type="checkbox"/> Payroll Tax          |  |
|  |  | <input type="checkbox"/> Right-of-way         |  |



# MAKING THE VALUE PROPOSITION



Question: How much does the typical driver pay in gas tax in a year?

**Probably six thousand, seven thousand dollars a year**

**Answer: \$293 in federal and state gas taxes per year per vehicle**



# QUESTIONS AND DISCUSSION

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